Los Angeles Times

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HEADLINE: COMMUNICATION FIRMS TO JOIN IN $12-BILLION DEAL

BYLINE: JUBE SHIVER Jr., TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY:

Vaulting into the front ranks of the nation's telecommunications industry, long-distance carrier WorldCom Inc. said Monday that it will acquire the local phone operator MFS Communications Co. in a stock swap worth about $ 12.5 billion.

Though their names are little known outside the telecommunications industry, WorldCom and MFS--when merged into a new company dubbed MFS WorldCom--will be poised to compete alongside AT&T, MCI, Pacific Telesis/SBC and a few others as a full-line telecommunications provider that can offer a broad range of local and long-distance telephone services as well as access to the Internet computer network.

"Rarely in business do you have the opportunity to bring together the premier growth companies from key segments of an industry," said Bernard J. Ebbers, president of WorldCom, which is based in Jackson, Miss. "We are creating the first company since the breakup of AT&T to bundle together local and long-distance service carried over an international, end-to-end fiber network owned or controlled by a single company."

Monday's transaction is part of a sweeping consolidation and reorganization of the communications business set in motion by a landmark deregulation law passed earlier this year. Eventually, these changes should mean lower prices and more choices for both business and residential phone customers--though some fear the creation of a small number of giant firms could ultimately stifle competition.

WorldCom--which this year mounted its first high-profile national advertising campaign, starring Michael Jordan as its spokesman--has grown into one of the nation's largest long-distance companies by making 40 acquisitions over the last few years.

The acquisitions, which included the purchase of WilTel Network Services last year for $ 2.5 billion, were carried out with the help of WorldCom's billionaire chairman, John Kluge, who was once a major WorldCom stockholder through his

Metromedia Co. Kluge's company sold its stake earlier this year.

MFS, an 8-year-old company originally named Metropolitan Fiber Services, has built local phone networks in 45 cities that mainly serve large business customers. It's the largest of about half a dozen companies that compete with the Baby Bells to provide local telephone service.

Together, WorldCom and MFS will be able to offer business customers "one-stop shopping" for a full range of local and long-distance telephone services. And they will also be able to offer access to the Internet through the network built up by a company called Uunet, which MFS acquired for $ 2 billion earlier this year.

All the big players in telecommunications are scrambling to offer a full line of services in the wake of the new law, which allows local phone companies to offer long-distance service and vice versa. The proposed mergers of SBC Communications Inc. and Pacific Telesis, and between Nynex Corp. and Bell Atlantic Corp.--both announced earlier this year--were driven largely by the desire of those companies to make a powerful entry into the long-distance business.

But these Baby Bell telephone companies will have to wait for more competition to develop before they can begin offering long-distance services. GTE Corp., meanwhile, has already begun to offer both--and WorldCom won't be far behind.

The merger doesn't directly affect residential customers in the short term, but because new competitors tend to skim off their business customers, the Bell companies may try to raise residential individual phone rates to compensate. "Business customers are the source of 50% of Bell company profits now," communications consultant William Davidson said.

And beyond the short term, the proposed merger represents a change in technology that could have a profound effect on phone bills. Telephone companies, as everyone knows, charge by the minute for service. There are night and weekend rates and various special discounts, but pricing phone calls has always been time-based.

However, the advent of fiber-optic capacity and Internet services could change that. WorldCom and MFS already offer some flat-rate service to their business customers, as do the major long-distance and local carriers. As technology moves forward, the speed with which computer data and even video can be transmitted, makes charging by time a losing proposition for the service provider. So flat rates will tend to become the norm.

And those innovations, first appearing in the business world, will set a pattern for consumer pricing in future years.

Analysts were divided Monday as to whether the WorldCom-MFS deal makes business sense. Darrell Edmonds, an analyst at Bear Stearns & Co., estimates that deal could save WorldCom as much as $ 400 million a year in telephone access charges it pays to other local phone companies.

"There are significant synergies in this deal that make it very attractive," Edmonds said.

But other analysts were not so sure. WorldCom currently sells bulk long-distance capacity to some local carriers--including GTE--and those customers might not like doing business with a competitor. Similarly, MFS does a lot of its business selling local circuits to long-distance carriers, who use them to directly connect with their customers.

"I don't think this is a good merger at all," said David Goodtree, a telecommunications expert at Forrester Research in Cambridge, Mass. "Before, AT&T and others were quite willing to invest in MFS. Now I'm not so sure."

On Monday, MFS shares soared $ 9.94 to $ 44.81 on Nasdaq. WorldCom stock fell $ 3.625 to $ 22.75.

Times Senior Economic Editor James Flanigan contributed to this story.

* ENIGMATIC FIGURE: WorldCom's CEO has some scratching their heads. D1

* WIRELESS DEAL: MCI signs a major contract with start-up NextWave. D1

LANGUAGE: English

LOAD-DATE: August 27, 1996

PR Newswire

February 27, 1997, Thursday

SECTION: Financial News

DISTRIBUTION: TO BUSINESS AND TECHNOLOGY EDITORS

LENGTH: 511 words

HEADLINE: J.D. Power and Associates Analysis Reveals Long Distance Carriers Prime for Local and Long Distance Telephone Market Share

DATELINE: AGOURA HILLS, Calif., Feb. 27

BODY:

J.D. Power and Associates today released a special analysis, The Impact of Bundling on Long Distance and Local Residential Telephone Service, which reveals that long distance carriers may acquire more than one-third of the local telephone market as well as retain a majority share of their own industry as the boundaries between local and long distance are softened and competition intensifies as a result of the 1996 Telecommunications Act.

Specifically, the report reveals that based on household bundling intentions, the industry leaders who should retain the greatest proportion of their customers, is Ameritech for local telephone and Sprint for long distance.

"These findings have major implications on what the telecommunications industry may look like in the years ahead once competition heats up between the long distance and local telephone carriers," commented Kirk Parsons, senior manager of telecommunication services at J.D. Power and Associates.

The special analysis, derived from the 1996 J.D. Power and Associates Telecommunications Study of more than 6,100 U.S. households, gives indepth details on the potential market share gains and losses among the three major long distance carriers (AT&T, MCI and Sprint) and the nine largest local telephone (seven regional bells, GTE and SNET).

The report is based on findings from consumers indicating a likelihood to bundle all their telecommunication services with one company. The report indicates more than 65 percent of households are likely to sign up with one company for all their telecommunication services, with the majority choosing their current long distance carrier as that sole provider. The major reasons consumers indicate a preference for long distance carriers are because they provide a better, more reliable service, are more likely to offer discounted rates, and have a stronger corporate image.

"Long distance companies may have an advantage over the local telephone and cable companies because of their experience operating in a competitive environment. However, the future success of any bundling or branding strategy hinges on a thorough understanding of what drives customer satisfaction for each service," Parsons said.

J.D. Power and Associates is an international marketing information firm with headquarters in Agoura Hills, California and offices in Detroit, Michigan; Westport, Connecticut; Torrance, California; Toronto, Canada; London, England; Tokyo, Japan; and Seoul, Korea. J.D. Power and Associates is best known for marketing information, consulting and measurement expertise in the areas of consumer opinion and customer satisfaction, J.D. Power and Associates can be accessed through the World Wide Web at http://www.jdpower.corri. Email: info£jdpower.com.

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SOURCE J.D. Power and Associates

CONTACT: Patricia A. Patano or Kristina L. Ferrin of J.D. Power and Associates, 818-889-6330

LANGUAGE: ENGLISH

LOAD-DATE: February 28, 1997

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
The Merger of MCI Communications	)	GN Docket No. 96-245
Corporation and	)	
British Telecommunications plc	)	

OPPOSITION & REPLY

Michael H. Salsbury
Executive Vice President
& General Counsel
Mary L. Brown
Sanford C. Reback
Larry A. Blosser
MCI Communications Corporation
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-3606

Colin R. Green
Secretary and Chief Legal Adviser
British Telecommunications plc
BT Centre
81 Newgate Street
London EC1A 7AJ England

James E. Graf II
President
Joan M. Griffin
Cheryl Lynn Schneider
BT North America Inc.
601 Pennsylvania Avenue, N.W.
Suite 725, North Building
Washington, D.C. 20004

Joel S. Winnik
David J. Saylor
Hogan & Hartson L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004-1109

Attorneys for
British Telecommunications plc

Dated: February 24, 1997

invitation to extend its reach into UK affairs and should refuse to adopt merger conditions that would substitute the FCC's judgment for OFTEL's on matters that are unquestionably within the authority and competence of the UK regulator.

a. UK Backhaul Services Are Provided on a Nondiscriminatory Basis at Competitive Prices

No party has alleged even a single instance of anti-competitive behavior by BT concerning the provision of backhaul services. 29/ The Applicants' competitors merely speculate about what could go wrong. Yet no basis exists for concern both because OFTEL has in place a comprehensive regulatory program that requires nondiscriminatory access at prices it oversees, and because actual competition in the provision of backhaul service ensures competitive pricing.

BT's obligation to connect to other operators at the cable station arises from Condition 13 of its Licence. At the cable station, BT provides virtual co-location to its competitors through "in-span handover," which is functionally identical to the in-span interconnection that BT provides at other points where operators connect to its system. 30/ The price for this service has been reviewed by

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29/ "Backhaul" refers to connections to the land side of UK cable stations and circuitry from a cable station to an operating center of BT or another operator.

30/ In-span handover at a cable station is simply a physical melding of the BT fiber coming out of the cable station with the other operator's fiber in a protected underground enclosure. AT&T's statement (at 29-30) that "'co-location' of competing carrier facilities at the cable station has not been debated yet in the UK" is beside the point given that MFS and Energis (in addition to Mercury) are already co-located with BT at the Land's End station and are each providing backhaul in competition with BT.

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE RULEMAKING OF THE OKLAHOMA CORPORATION COMMISSION TO ESTABLISH RULES AND REGULATIONS FOR ALTERNATIVE FORMS OF REGULATIONS IN OKLAHOMA FOR THE TELECOMMUNICATIONS INDUSTRY.	Cause No. RM 970000001

NOTICE OF PROPOSED RULEMAKING

Over the past two (2) years, the telecommunications industry has undergone major changes and, by all indications, it appears that continued change is on the horizon. On February 8, 1996, the President of the United States signed into law the Telecommunications Act of 1996 ("Act"), which amended the Telecommunications Act of 1934. Prior to the passage of the Act, local exchange telecommunications services were monopoly services reserved exclusively for a designated local exchange service provider. However, as the industry evolved and technology improved, a number of companies and individuals began to review the need to modify the policies of the Telecommunications Act of 1934 and its applicability in a modern marketplace. Therefore, Congress began to re-examine the policies and philosophies of the Telecommunications Act of 1934, leading to the Telecommunications Act of 1996.

The Act attempts to create federal legislation that recognizes changes in the telecommunications industry and promotes competition. And just as federal philosophies have changed, states must also begin to examine their policies and philosophies. Many states, including Oklahoma, have already begun the process of encouraging the development of competitive telecommunications markets.

During the past two (2) years, the Oklahoma Corporation Commission ("Commission") has begun the process of re-examining its rules, regulations and policies on telecommunications. In an attempt to have rules in place that address the current marketplace, the Commission created rules establishing new minimum service standards, rules authorizing local exchange competition, operator services, special access and intralata toll competition, and rules allowing, for the first time, private payphone ownership in Oklahoma. Currently, the Commission has dockets open to establish rules for competitive access providers and universal service. However, the Commission finds that even with the work already completed, more work is still required.

The Commission recognizes that, as effective local exchange competition arrives in Oklahoma, appropriate rules and regulations should be in place to address the issues raised by competition. The Commission therefore opens this Notice of Proposed Rulemaking to receive comments and/or proposed rules to address the manner in which telecommunications providers are regulated in Oklahoma. The Commission encourages not only telecommunications service providers, but individuals and interested groups to participate in this rulemaking by filing comments and/or proposed plans. The Commission finds that only with participation from various parties with diverse interests will the Commission be able to establish rules that meet the needs of Oklahomans and encourage competition. To assist the Commission in establishing new rules, regulations, and policies, the Commission requests comments and/or proposed rules to the following questions:

QUESTIONS

1. Since local exchange competition has been authorized in Oklahoma, does the public interest necessitate a change in the way the Commission regulates incumbent local exchange companies ("ILECs")?

2. If your answer to the previous question is yes, please identify the public interest.

3. Must there be effective local exchange competition before there should be a change in the way the Commission regulates ILECs?

4. Should the Commission consider alternatives to rate base/rate of return regulation for ILECs before effective local competition has been achieved, even if only on a transitional basis?

5. Please define "effective local exchange competition" in the context of your answers to questions 3 and 4.

6. Are there any federal or state laws or rules that require the Commission to implement an alternative form of regulation? If so, please identify the authority.

7. Are there any federal or state laws or rules that prohibit the Commission from implementing an alternative form of regulation? If so, please identify the authority.

8. Are there any currently open, or soon to be opened, federal or state docket(s) that might affect the Commission's determination of whether to implement an alternative form of regulation or which form of alternative regulation the Commission should implement? If so, please identify the docket.

9. Please identify the various forms of telecommunication regulation utilized throughout the country. Please provide a description of how each form of regulation works and which state(s) utilize it.

10. How many and which states have adopted alternative forms of regulation for ILECs before there was "effective local competition"? (Use definition of competition noted in question 5).

11. If you support a particular form of regulation, please identify the form or methodology and explain and document why you support it.

12. What are the possible positive and negative effects of the form of regulation on ILECS you support, the telecommunications industry and consumers?

12a. If you support implementation of an alternative form of regulation prior to effective competition, explain how your proposed method of regulation will protect against the potential abuse of monopoly power.

13. What time frame would be necessary to implement the form of regulation that you support?

14. What economic factors must the Commission consider when examining the form of regulation you support?

15. Prior to an alternative form of regulation being implemented, should the Commission conduct a rate review on any or all ILECs?

16. Are there any circumstances or factors that make Oklahoma unique when examining alternative forms of regulation?

17. Should the Commission continue to make distinctions by the size of the ILEC when exploring alternative forms of regulations? If yes, why? If no, why not?

18. Should the Commission create a process whereby each ILEC could choose the form of regulation that best fits that particular ILEC? Should there be criteria or limitations that must be met in the selection of a particular form of regulation?

19. What are the possible disadvantages to having multiple forms of regulation?

20. What are the possible disadvantages to regulating local exchange providers under differing rules at the same time? In other words, will some local exchange service providers have advantages over other local exchange service providers if multiple forms of regulation are applicable to different providers?

21. Are there any additional rules the Commission may need to amend or modify prior to the implementation of alternative forms of regulation?

22. Are there are additional statutes the Commission may need to seek modification of or enactment of, prior to implementation of alternative forms of regulation?

23. Are there any other relevant issues the Commission should consider when trying to create rules and regulations to meet the future telecommunications market?

NOTICE IS HEREBY GIVEN that the Oklahoma Corporation Commission proposes to establish rules and regulations regarding future forms of regulation for the telecommunications industry.

The Commission proposes to amend Chapter 55 of Title 165 of the Oklahoma Administrative Code ("OAC") and add a new Subchapter to Chapter 55. The proposed changes and additions will allow the Commission to create rules to modify the way in which the Commission regulates telecommunications service providers in the future.

NOTICE IS HEREBY GIVEN that all interested parties are encouraged to file written comments and/or proposed rules on or before February 10, 1997. All comments and/or proposed rules should be filed with the Commission's Court Clerk's Office, First Floor, Jim Thorpe Building, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma. Additionally, two sets of comments and/or proposed rules should be sent to John W. Gray, Senior Assistant General

Counsel, P.O. Box 52000, Oklahoma City, Oklahoma 73152-2000. All comments and/or proposed rules should identify, by number, the question being addressed. Any party wanting to file reply comments, should do so on or before March 7, 1997. All reply comments should identify the comments and/or proposed rules to which the commentor is responding.

NOTICE IS FURTHER GIVEN that Technical Conferences will be held February 20, 1997 and April 17, 1997, at 10:00 a.m., in Courtroom 301, Third Floor, Jim Thorpe Building, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma. Additional Technical Conferences may be held as needed.

NOTICE IS FURTHER GIVEN that the Commission Staff shall make available draft proposed rules on March 28, 1997, followed by a final Staff proposed rules on May 22, 1997.

NOTICE IS FURTHER GIVEN that a hearing in the above entitled matter will be held June 18, 1997, at 9:30 a.m., in Commission Courtroom 301, Third Floor, Jim Thorpe Building, 2101 N. Lincoln Boulevard, Oklahoma City, Oklahoma.

NOTICE IS FURTHER GIVEN that questions regarding this proposed rulemaking should be directed to John W. Gray, Senior Assistant General Counsel, 400 Jim Thorpe Building, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105, (405) 521-2322.

CORPORATION COMMISSION OF OKLAHOMA

Cody L. Graves

Cody L. Graves, Chairman

Bob Anthony

Bob Anthony, Vice-Chairman

Ed Apple

Ed Apple, Commissioner

DONE AND PERFORMED this 15 day of January, 1997.

BY ORDER OF THE COMMISSION:

Charlotte W. Flanagan

Charlotte W. Flanagan
Commission Secretary

31

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

WESTERN ELECTRIC COMPANY, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY,

Defendants.

Civil Action No. 82-0192 HHG

TO: THE DEPARTMENT OF JUSTICE

AT&T'S OPPOSITION TO AMERITECH'S MOTIONS FOR "PERMANENT" AND "TEMPORARY" WAIVERS FROM THE INTEREXCHANGE RESTRICTION OF THE DECREE

MARK C. ROSENBLUM
JOHN J. LANGHAUSER
295 North Maple Avenue
Basking Ridge, NJ 07920

DAVID W. CARPENTER
One First National Plaza
Chicago, IL 60603

ROBERT D. McLEAN, JR.
(D.C. Bar No. 103606)
MARC E. MANLY
(D.C. Bar No. 413983)
1722 Eye Street, N.W.
Washington, D.C. 20006
(202) 736-8000

Attorneys for American Telephone and Telegraph Company

Of Counsel:

HOWARD J. TRIENENS
JOHN D. ZEGLIS
SIDLEY & AUSTIN

February 15, 1994

Ameritech is in a position to make the offer to "surrender its local exchange advantages provided it can simultaneously rid itself of the . . . interexchange prohibition" attests to its continuing monopoly -- only one with market power could propose to permit competition on the basis of self-imposed conditions. See Amer. Mem., p. 5 (emphasis added). Similarly, only one confident that it would be better off by making this offer would rationally do so.

Finally, Ameritech makes two other, related arguments concerning alleged changes in market circumstances, each of which lacks merit. First, Ameritech argues (Amer. Mem., pp. 10-11) that it should be allowed to enter the interLATA market because now there are several well-established carriers. Although it may be true that there is little reason to fear that Ameritech could monopolize the interexchange market -- driving AT&T, MCI and Sprint out of business -- that does not mean that Ameritech would be precluded from using its complete monopoly in the local exchange market to impede competition in the long-distance market through cross-subsidies and other anticompetitive measures (as demonstrated throughout this response). See, e.g., Willig/Bernheim Aff., pp. 36-37. As Ameritech's expert also correctly states, an RBOC would exercise market power if it used its monopoly position in the exchange to "eliminate" or "constrain" a "more efficient [long distance] rival," even if other long distance carriers remained in the market. Teece Report, ¶ 10; see id., ¶¶ 13-24.

LAW OFFICES

JENNER & BLOCK

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

601 THIRTEENTH STREET, N. W.
TWELFTH FLOOR
WASHINGTON, D. C. 20005

(202) 639-6000
(202) 639-6066 FAX

DIRECT DIAL NUMBER:

ANTHONY C. EPSTEIN

202-639-6080

CHICAGO OFFICE
ONE IBM PLAZA
CHICAGO, IL 60611
[illegible]
[illegible] FAX

MIAMI OFFICE
ONE BISCAYNE TOWER
MIAMI, FL 33131
[illegible]
[illegible] FAX

LAKE FOREST OFFICE
ONE WESTMINSTER PLACE
LAKE FOREST, IL 60045
[illegible]
[illegible] FAX

August 1, 1994

By Messenger

Mr. Richard L. Rosen
Chief, Communications and Finance Section
Antitrust Division
U.S. Department of Justice
555 Fourth Street, N.W.
Washington, D.C. 20001

Re: **Southwestern Bell's Waiver Request to Provide Interexchange Service Waiver No. W0202**

Dear Mr. Rosen:

MCI Communications Corporation ("MCI") submits the attached comments concerning Southwestern Bell's request for an "expedited" waiver to provide interexchange service.

MCI would be pleased to provide any additional information useful to the Department in its evaluation of SWB's petition.

Sincerely yours,

Anthony C. Epstein

Anthony C. Epstein

cc: Martin E. Grambow
David W. Carpenter
Michael B. Fingerhut
Robert J. Aamoth

Interexchange carriers remain dependent on SWB for exchange access in states where SWB retains its local bottleneck. "A Regional Company that competes against such providers everywhere except in its own region would not find it difficult to discriminate against such a provider in its region, thereby damaging the competitor's service and reputation on a national basis." 1989-1 Trade Cas. at 61,266.[2]

This danger is addressed only in the Affidavit of Alfred E. Kahn and William E. Taylor, at 15-16 (Ex. 4 to SWB Mem.) ("Kahn/Taylor Aff."). Although Kahn and Taylor dismiss this risk as speculative or remote or indirect, their reasons do not stand up. Their principal argument is that SWB would not want to jeopardize in-region revenues and profits from access charges. However, SWB would not expect such discrimination to reduce interexchange traffic originating in its region. Kahn and Taylor acknowledge that SWB retains its local monopoly, Kahn/Taylor Aff. 7 ¶ 17 (local exchange carriers "now dominate the provision of telephone service"); see Affidavit of Gary S. Becker, at 7 (Ex. 1 to SWB Mem.), so customers in SWB's territory who want to make interexchange calls have no alternative but to continue to use the inter-

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[2] SWB's ability significantly to increase its rivals' costs exists even if SWB controls less than ten percent of local exchange service and even if less than five percent of interexchange traffic originates outside and terminates inside SWB's territory. SWB Mem. 3-4. Nor would structural separation of SWB's interexchange affiliate (SWB Mem. 20) do anything to reduce the dangers of discrimination. *See* Response of the United States to Public Comments on Proposed Modification of Final Judgment, 47 Fed. Reg. 23320, 23336-37 (May 27, 1982).

33

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
AT&T Petition for Waiver of	)	CCB/CPD Docket No. 96-26
Section 64.1701 of	)	
the Commission's Rules	)	

COMMENTS OF BELL ATLANTIC[1]

Not content with its current regulatory advantages, AT&T seeks to gain a further artificial advantage through regulatory sleight of hand. AT&T argues that the existence of Bell Atlantic's corridor service -- a unique service whose continuation was grandfathered under the 1996 Telecommunications Act -- entitles AT&T to a waiver from the Act's geographic rate averaging requirements. Despite the regulatory advantages that AT&T's existing service already enjoys over corridor, AT&T seeks even greater freedom. At the same time, it argues that the Commission should deny any regulatory flexibility for the Bell Atlantic service it competes with. It can't have it both ways. The Commission should reject AT&T's latest attempt at regulatory gamesmanship, and instead should act on Bell Atlantic's long-standing petition that would allow corridor service to compete on more equal terms with large interLATA service providers such as AT&T.

[1] This filing is on behalf of Bell Atlantic Communications, Inc. and the Bell Atlantic telephone companies ("Bell Atlantic"), which are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

unlike services.[10] In contrast to generic long distance service, which has no limits on its reach, corridor service is geographically constrained, and can only be used within the predetermined corridor areas. Indeed, not only is Bell Atlantic corridor service distinct from generic long distance service, it is regulated differently as well. As Bell Atlantic has shown, current regulations would prevent Bell Atlantic from raising its corridor rates to match current long distance rates.[11] They also limit the ability of the operating telephone companies to coordinate their provision of corridor service with the generic long distance service provided by a separated long distance affiliate.[12]

AT&T makes the unsubstantiated claim that Bell Atlantic is able to charge lower prices for its corridor service because of "higher access charges AT&T must pay Bell Atlantic."[13] This is untrue, and AT&T knows it to be untrue. As required, corridor service pays (and publicly reports) the full tariffed access rates as an imputed expense.[14] It receives no special discounts over the rates paid by AT&T.[15]

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10 If the Commission should nevertheless find that its rules require that corridor service rates must be averaged with Bell Atlantic affiliates' generic long distance services, Bell Atlantic hereby requests that the Commission grant AT&T's petition in part for the limited purpose of providing Bell Atlantic a waiver of those rules with respect to its corridor service.

11 Bell Atlantic Reply Comments at 4.

12 ***See*** 47 U.S.C. § 272; ***see also Bell Operating Company Provision of Out-of-Region Interstate, Interexchange Services***, CC Docket No. 96-21, Report and Order, ¶ 19 (rel. July 1, 1996).

13 AT&T Petition at 4.

14 ***See*** 47 C.F.R. § 61.44(b).

15 Indeed, because corridor service imputes a transport rate based on the average charge to all carriers, it is likely that it pays a ***higher*** rate than AT&T which, because of its size, can take advantage of the relatively less expensive high-capacity services.